

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**CORRECTED  
FISCAL NOTE**

**SB 700 - HB 745**

March 19, 2015

**SUMMARY OF BILL:** Creates a lifetime handgun carry permit for any resident of Tennessee who is a United States citizen or lawful permanent resident, who is at least 21 years of age and meets current regulations for obtaining a handgun carry permit (HGCP). The Department of Safety (DOS) will charge an application and processing fee of \$500 for a lifetime handgun carry permit. A lifetime handgun carry permit will not be subject to renewal.

**ESTIMATED FISCAL IMPACT:**

On March 7, 2015, a fiscal note was issued estimating the fiscal impact as follows:

*Increase State Expenditures - \$100,000/FY15-16/General Fund*

*Other Fiscal Impact – Establishing a lifetime permit option and setting the price approximately equivalent to the 40 year cost of new and renewal permit issuance and under the current regime, may trigger some portion of current and future gun owners choose this option. In doing so, those gun owners will cause shift in gun permit revenue collections. The net result will be an acceleration of revenue, to the Department of Safety, previously collected over the lifetime of gun permit recipients. For FY15-16 through FY19-20, an increase in revenue of \$1,642,900 is estimated. Beginning in FY20-21, the extent of increased permit revenue will begin diminishing, but will remain net positive through FY27-28. During that period, the revenue gain from new lifetime permits will still exceed the revenue loss associated with fewer renewal permits. It is estimated that in FY28-29 the net effects of the transition to the new lifetime permit will be fully integrated in to the permit revenue stream and will remain at a steady state thereafter. Assuming that there will always be some small share of new gun owners that choose the lifetime permit option, this new steady state revenue will be slightly higher than it would have other been otherwise, under the old permit fee regime.*

The Fiscal Review Committee has subsequently determined that issuing a corrected fiscal note is warranted. The primary reason(s) for the correction are to enhance clarity, add additional details, and include minor revisions to the methodology. The corrected fiscal impact estimate is:

**(CORRECTED)**

**Increase State Revenue –      \$1,555,600/FY15-16 to FY19-20/DOS  
   \$842,700/FY20-21 to FY24-25/DOS  
   \$707,000/FY25-26 to FY29-30/DOS**

**and continuing to drop proportionally every 5 years though FY  
49-50 (35 years out), then stabilizing at \$95,000 in perpetuity**

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**\$70,800/FY15-16 to FY19-20/TBI  
and then no difference in revenue after the first 5 year renewal  
cycle**

**Increase State Expenditures – \$100,000/FY15-16 Non-recurring/DOS**

**\$27,800/ FY15-16 to FY19-20/TBI  
and then no difference in expenditures after the first 5 year  
renewal cycle**

**Increase Local Revenue – \$20,000/FY15-16 to FY19-20  
and then no difference in revenue after the first 5 year renewal  
cycle**

**Other Fiscal Impact – By purchasing a \$500 lifetime permit, instead of paying the current fees for new and renewal permits every five (5) years, those individuals will be both shifting their permit payments forward and paying slightly more than the \$465 they would have paid under the existing permit fee regime over forty (40) years (i.e. initial permit plus seven renewals). Calculating the present value of the estimated net additional cashflow generated by the individuals choosing a \$500 lifetime permit yields a net present value benefit of \$14,500,000.**

Assumptions:

- An applicant for a HGCP is required to be a minimum of 21 years of age.
- Currently, the initial HGCP application fee is \$115, and is valid for 5 years. The current HGCP renewal is \$50, and is valid for 5 years.
- This analysis assumes that these current permit fees remain constant in perpetuity.
- Under current law, a person that obtains a HGCP will pay the initial \$115 and \$50 for each subsequent renewal every five years thereafter. If the HGCP were held continuously by this individual for a 40-year period, the individual would pay a total sum of \$465 [ $\$115 + (\$50 \times 7 \text{ renewals})$ ] over the 40-year period.
- Establishing a lifetime permit option and setting the price (\$500), only slightly above the current 40 year cost for new and renewal permit issuance (\$465), may trigger some portion of current and future gun owners to choose this option despite the higher cost.
- There are several reasons, both emotional and rational, why some individuals would purchase a lifetime handgun carry permit, if offered. The primary rationale reason is protection against future increases in the renew permit fee (though we have assumed it will remain constant in this analysis).
- In doing so, those gun owners will cause shift in gun permit revenue collections forward. The net result will be an acceleration of revenue, to the General Fund, previously collected over the lifetime of gun permit recipients.

- Currently, there are approximately 54,300 transactions per year for an initial HGCP and approximately 66,400 permit renewals each year.
- DOS believes it is reasonable to assume that, at least, five percent (or 2,715 individuals), who would otherwise purchase the initial HGCP, will purchase the proposed \$500 lifetime HGCP; and two percent (or 1,328 individuals), who would otherwise renew their current HGCP, will purchase the proposed \$500 lifetime HGCP.
- Under current law, permit fee revenue is split as follows. For \$115 new HGCPs: 1) \$15 to the local Sheriff's Office; 2) \$53 to the Tennessee Bureau of Investigation (TBI); and the balance to the Department of Safety (DOS). For \$50 renewal HGCPs: 100% to DOS.
- A portion of TBI's \$53 share of new HGCP revenue is to defray their variable costs related to collecting finger-prints and running background checks on each new HGCP applicant. Those variable costs currently total \$20.79 for each new HGCP applicant (\$12.45 paid to the FBI for background check information plus \$8.34 paid to fingerprinting services).
- Though not explicitly stated in the proposed bill, this analysis assumes that all lifetime permit applicants will be subject to the same screening requirements as new HGCP applicants are under current law. Thus, this will trigger a small increase in costs for TBI, associated with the individuals that are currently in the renewal cycle, but choose to switch to a lifetime permit.
- Using these assumptions, a projection of the net additional revenue generated by a \$500 lifetime permit can be estimated by comparing projected revenue under current law versus projected revenue with a \$500 lifetime permit option was calculated. All supporting data for this calculation is available from the Joint Fiscal Review Committee office upon request.
- DOS will require system modifications to effectuate the purposes of this bill. Based on information provided by DOS, the one-time increase in state expenditures from the General Fund is estimated to be \$100,000 occurring in FY15-16.

## **CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.



Jeffrey L. Spalding, Executive Director

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